

## Message Text

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PAGE 01 MANAMA 01218 301735Z

64

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

EB-07 OMB-01 TRSE-00 AGR-05 COME-00 LAB-04 SIL-01

/080 W

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R 301305Z OCT 75

FM AMEMBASSY MANAMA BAHRAIN

TO SECSTATE WASHINGTON DC 2544

INFO AMEMBASSY ABU DHABI UAE

AMCONSUL DHAHRAN SAUDI ARABIA

AMEMBASSY DOHA QATAR

AMEMBASSY JIDDA SAUDI ARABIA

AMEMBASSY KUWAIT KUWAIT

AMEMBASSY MUSCAT OMAN

AMEMBASSY TEHRAN IRAN

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E.O. 11652 : N/A

TAGS : ECON, PINT, BA

SUBJECT : GOVERNMENT ATTEMPTS TO REGULATE PRICES

1. DURING AND FOLLOWING THE LATE AUGUST POLITICAL/CONSTITUTIONAL "CRISIS", THE PRIME MINISTER AND VARIOUS CABINET MEMBERS AS WELL AS THE AMIR REPEATEDLY REFERRED TO THE TWO "REAL" SOCIO-ECONOMIC PROBLEMS THE POPULATION WAS FACING. (THE "REAL" PROBLEMS WERE CONTRASTED, FOR POLITICAL PURPOSES, WITH THE "UNREAL" PROBLEMS WHICH ENGAGED THE NOW ABOLISHED NATIONAL ASSEMBLY.) THE TWO PROBLEMS WERE HOUSING AND THE COST OF LIVING. THE GOB, AS IT ABOLISHED THE NATIONAL ASSEMBLY AND SUSPENDED PARTS OF THE 1973 CONSTITUTION, STATED THAT IT WOULD TAKE RAPID AND EFFECTIVE MEASURES TO DEAL WITH BOTH PROBLEMS AND THAT IT SHOULD BE JUDGED ON THE BASIS OF ITS PERFORMANCE VIS-A-VIS THESE ISSUES, SINCE IT WOULD NO LONGER BE HELD BACK

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PAGE 02 MANAMA 01218 301735Z

FROM TAKING EFFECTIVE STEPS BY THE UNCOOPERATIVE ASSEMBLY.

(SEE MANAMA A-38 FOR A CRITICAL VIEW OF THE VALIDITY OF THE GOVERNMENT'S ATTEMPT TO BLAME LACK OF PROGRESS ON THE ASSEMBLY.)

2. OF THE TWO "REAL" PROBLEMS, AT FIRST GLANCE HOUSING IS MORE DIFFICULT TO CREATE OVERNIGHT THAN ARE LOWER PRICES. AS MANIFESTATION OF THE GOVERNMENT'S DETERMINATION TO DEAL WITH THE HOUSING SITUATION, A NEW HOUSING MINISTRY HAS BEEN CREATED, MINISTERED BY A CIVIL SERVANT AL KHALIFA FAMILY MEMBER, AND IT WILL SOON BE EMBARKING ON A "CRASH" HOUSING PROGRAM.

3. A REORGANIZED MINISTRY OF COMMERCE, AGRICULTURE AND ECONOMY HAS ALSO RECENTLY TAKEN STEPS TO REGULATE PRICES OF SOME ESSENTIAL CONSUMER ITEMS SUCH AS CHICKENS, EGGS, RICE, GHEE AND PHARMACEUTICAL DRUGS AS WELL AS TO DICTATE TAXI FARE RATES. FOR THE FIRST WEEK OF THE PROGRAM, THINGS SEEMED TO BE GOING WELL. PRICES IN THE NATIVE MARKET (SUQ) ACTUALLY WENT DOWN TO THE STIPULATED RATES; SIGNS WENT UP IN SMALL STORES ADVERTISING GOODS AT THE GOVERNMENT RATES. ONLY THE MORE EXPENSIVE, WESTERN CLIENTELE-ORIENTED SUPERMARKETS MAINTAINED OLD PRICES, (VIZ. ONE DOZEN LOCAL EGGS, \$1.75) ALTHOUGH THEY TOO WERE SUPPOSED TO BE COVERED BY THE REGULATIONS.

4. FOR THE PAST TWO DAYS, HOWEVER, BOTH EGGS AND CHICKENS HAVE DISAPPEARED FROM THE SUQ AND TAXI DRIVERS WENT ON A SUCCESSFUL TWO DAY STRIKE OCTOBER 28 AND 29, PROTESTING THE MODEST PROFIT MARGIN ALLOWED THEM UNDER THE NEW RATE PRICE REGULATIONS.

5. SO, A CONFRONTATION SITUATION HAS BEEN CREATED WHEREIN THE WILL AND DETERMINATION OF THE GOVERNMENT IS BEING CHALLENGED BY SPECIAL INTEREST GROUPS, THE GROCERY MERCHANTS, THE FOOD IMPORTERS AND THE TAXI DRIVERS. THEY WILL SOON BE JOINED BY THE IMPORTERS AND RETAIL DISTRIBUTORS OF FOREIGN-MADE PHARMACEUTICALS AS THE GOVERNMENT PROPOSES, UNDER ITS NEW REGULATIONS, TO DICTATE THE PROFIT MARGINS ALLOWED IN THE SALE OF DRUGS AND HOW THAT MARGIN IS TO BE DIVIDED BETWEEN THE IMPORTER AND THE RETAILER.

6. COMMENT: THE GOVERNMENT'S REACTION TO THE CHALLENGE TO ITS AUTHORITY IS NOT YET KNOWN. A CONSIDERABLE AMOUNT OF "FACE" LIMITED OFFICIAL USE

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PAGE 03 MANAMA 01218 301735Z

IS INVOLVED AND, DESPITE THE GOVERNMENT'S PROCLIVITY TO AVOID CONFRONTATION, IT IS DIFFICULT TO ENVISION IT BACKING DOWN ON THE PRICE REGULATIONS AND, AT THE SAME TIME, MAINTAINING ITS CREDIBILITY BOTH IN TERMS OF FUTURE PROGRAMS AND ITS POLITICAL ACTIONS OF AUGUST. TIME WILL TELL. END COMMENT.  
TWINAM

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## Message Attributes

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